

EMPLOYEE SHARE SCHEMES

The OTS consultations with business have found that employee share schemes are perceived to be a highly complex area of the tax code. This complexity is seen as a frequent cause of error in tax returns and as a source of administrative burdens on employers, their advisers and employees.

Reflecting this, the Government is asking the OTS to carry out a two stage project,

- First looking at the four tax-advantaged, or Government approved, share schemes; and
- Second looking at complexity around non tax-advantaged or unapproved share schemes.

The initial work on approved share schemes will

- Evaluate the four schemes and identify where they create complexities and disproportionate administrative burdens for scheme users
- Examine how the schemes could be simplified
- Cover all four Government schemes: Save As You Earn (SAYE), Company Share Option Plans (CSOP), Share Incentive Plans (SIP), and Enterprise Management Incentives (EMI)

The review should have regard to:

- the impact on companies and their employees and on HMRC; including the impact on employers with international workforces;
- the Government's corporate tax reform agenda including the need for fairness and simplicity
- the wider economic and policy implications of any proposals – including the original purpose of the schemes and overall tax receipts
- the take-up of the schemes by companies and employees;
- the availability of non tax advantaged share schemes
- accounting treatment of share schemes
- the risk of non-compliance and avoidance opportunities;
- the Spending Review resource constraints on HMRC

The Office has been asked to produce an report on the approved share schemes – stage 1, by Budget 2012, and will then go on to look at unapproved share schemes – stage 2 . Further details on the OTS work on stage 2 unapproved shares schemes and the timetable for this work will be announced in 2012.

The Office's work will be informed by consultation with interested parties including forming and working with a consultative committee.